

Miami-Dade County

Office of the Mayor

Prescription Drug Costs:

Assisting County employees, retirees and the elderly

Miami-Dade Board of County Commissioners
Tuesday, December 16, 2003



Problems facing the elderly today

Percentage increase of prescription drug costs is **9.3** times greater than the current U.S. inflation rate.

Current US inflation: **1.6%**
(per year average)

**Current prescription
drug cost price increase:** **14.9%**
(per year average)

This creates a negative market for U.S. consumers:

Increasing prices of prescription drugs
+ **Decreasing** purchasing power of the elderly

= **Extreme** difficulty for seniors to purchase prescription drugs

**AN UNAFFORDABLE DRUG IS NEITHER
SAFE NOR EFFECTIVE**



Problems Facing the Elderly Today

- Rising prescription drug costs are straining personal budgets and government services
- Forcing cities, counties and states to spend more taxpayer dollars on healthcare programs for employees and Medicaid.
- Federal agencies and the new Medicare Bill (S.1) do not address skyrocketing prescription drug prices.
- New bill prohibits utilizing economies of scale for purchases of pharmaceuticals



Pharmaceutical Industry is the ***MOST PROFITABLE*** in Survey of Fortune 500 Companies conducted in 2002*

Average profit of Fortune 500
companies = 3%

Average profit of
Pharmaceutical Fortune 500
companies = 17%



Breakdown of Costs by the Pharmaceutical Industry

Revenue devoted to marketing and administration – 30.4%

- Marketing costs in 1999 increased by 38%

Actual spending on Research and Development – 12.5%

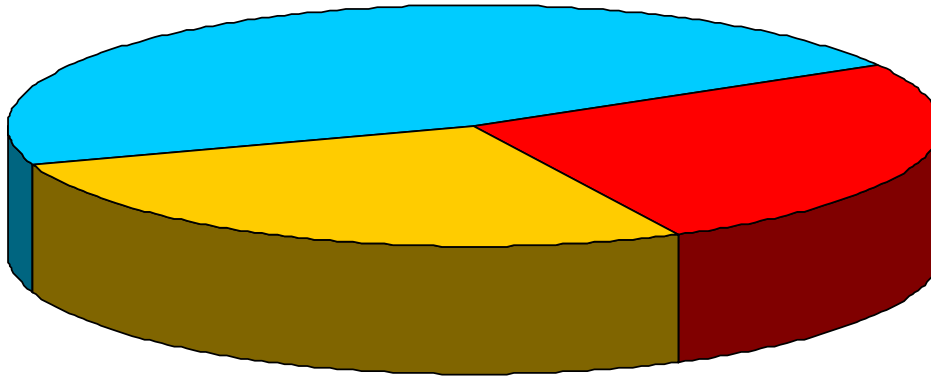
- R&D spending increased just by 14%



Why costs are sharply increasing

Between 1997 and 2001 prescription drug spending **increased** by \$75.6 billion

More prescription drugs
are being filled: 47%



Price increases on
existing drugs: 26%

Changes to high priced
drugs: 27%



Implications of High Costs of Medications

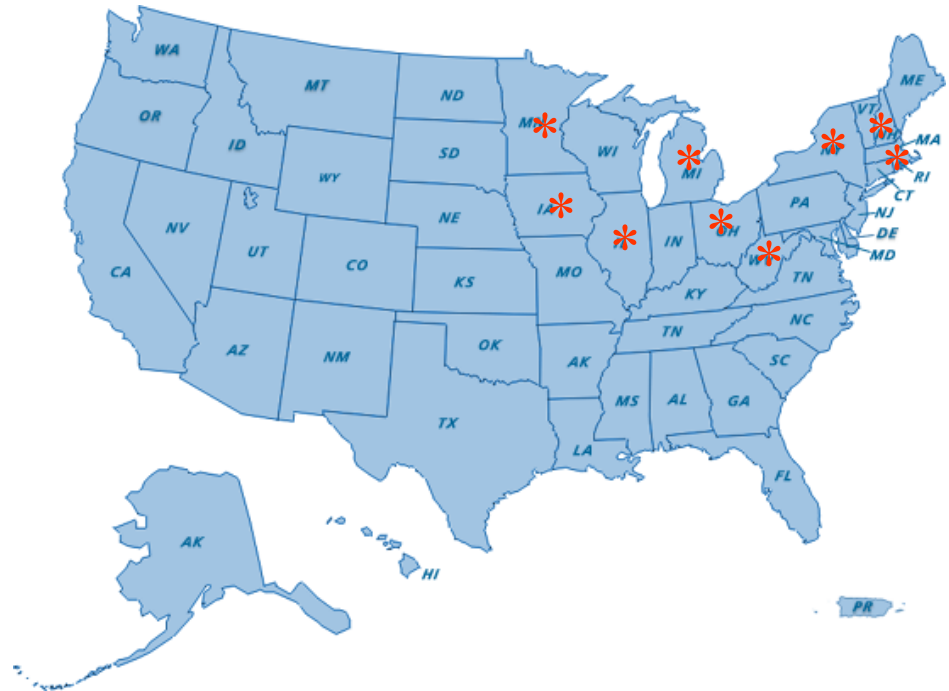
- ✓ Patients don't always fill prescriptions or take as prescribed— negative impact on health of residents
- ✓ Employers drop coverage or scale back benefits – shift costs to employees through co-pays and deductibles



Cities and States Examining Re-importation to Ease Budget Strains

Springfield, Massachusetts
New Hampshire
City of Boston, Massachusetts
New York City, NY

Illinois
Minnesota
Ohio
Michigan
West Virginia
Iowa



Cities and States Examining Re-importation to Ease Budget Strains - part 1

Springfield, Massachusetts (population 612,515)

Estimates that it could save from \$4-9 million annually by implementing a re-importation program for city employees and retirees. Since July 2003 the program has saved over \$1 million.

City of Boston, Massachusetts (population 589,141)

In the process of creating a pilot program to import prescription drugs from Canada by July 1, 2004.

State of New Hampshire (population 1,275,056)

Governor Benson announced on 12/9/03 that the State will start an aggressive policy of re-importing U.S. made drugs from Canada.



Cities and States Examining Re-importation to Ease Budget Strains - part 2

State of Illinois (population 12,600,620)

Attempting to re-import prescription drugs for its employees and retirees – Estimated savings of \$54 million assuming a 100% participation.

State of Minnesota (population 5,019,720)

Implementing web-based re-importation program through which all Minnesotans will be able to determine if their prescription is available at a lower cost from Canadian pharmacy, and if so, how to order it.



Example of Canadian Prescription Drug Provider Safety Precautions for Springfield, MA

Part.1

- CanadaRx only ships 300 maintenance prescription drugs (Lipitor, Zocor)
- To be eligible, the patient must have had a physical within the last year.
- It must list all of his/her illnesses and allergies.
- CanadaRx does not honor first time prescriptions -- it does not know how the patient will react to them.
- The patient must have a history of taking the medication to assure he/she can handle it.
- CanadaRx only accepts prescriptions directly from the patient's doctor's office via fax, and not directly from the patient.
- All prescription drug shipments are inspected and approved by HEALTH CANADA (equivalent to FDA).



Example of Canadian Prescription Drug Provider Safety Precautions for Springfield, MA.

Part.2

- ❖ All medication is supplied strictly through HEALTH CANADA (equivalent of FDA). There is no third party involved. This ensures the highest pedigree of quality for the patient and doctor.
- ❖ All medication is delivered via Canada Post and then directly exchanged to the U.S. Postal service (No 3rd parties involved).
- ❖ If the medication container is tampered with in any way, the patient can just send the medication back for full exchange at no cost.
- ❖ All medication is packaged with quality control equipment (temperature controller, etc.) to certify that it will arrive in good condition and ready for consumption.
- ❖ CanadaRx delivers over 100,000 prescriptions a day of which 95% are to Canada and the rest to the U.S.



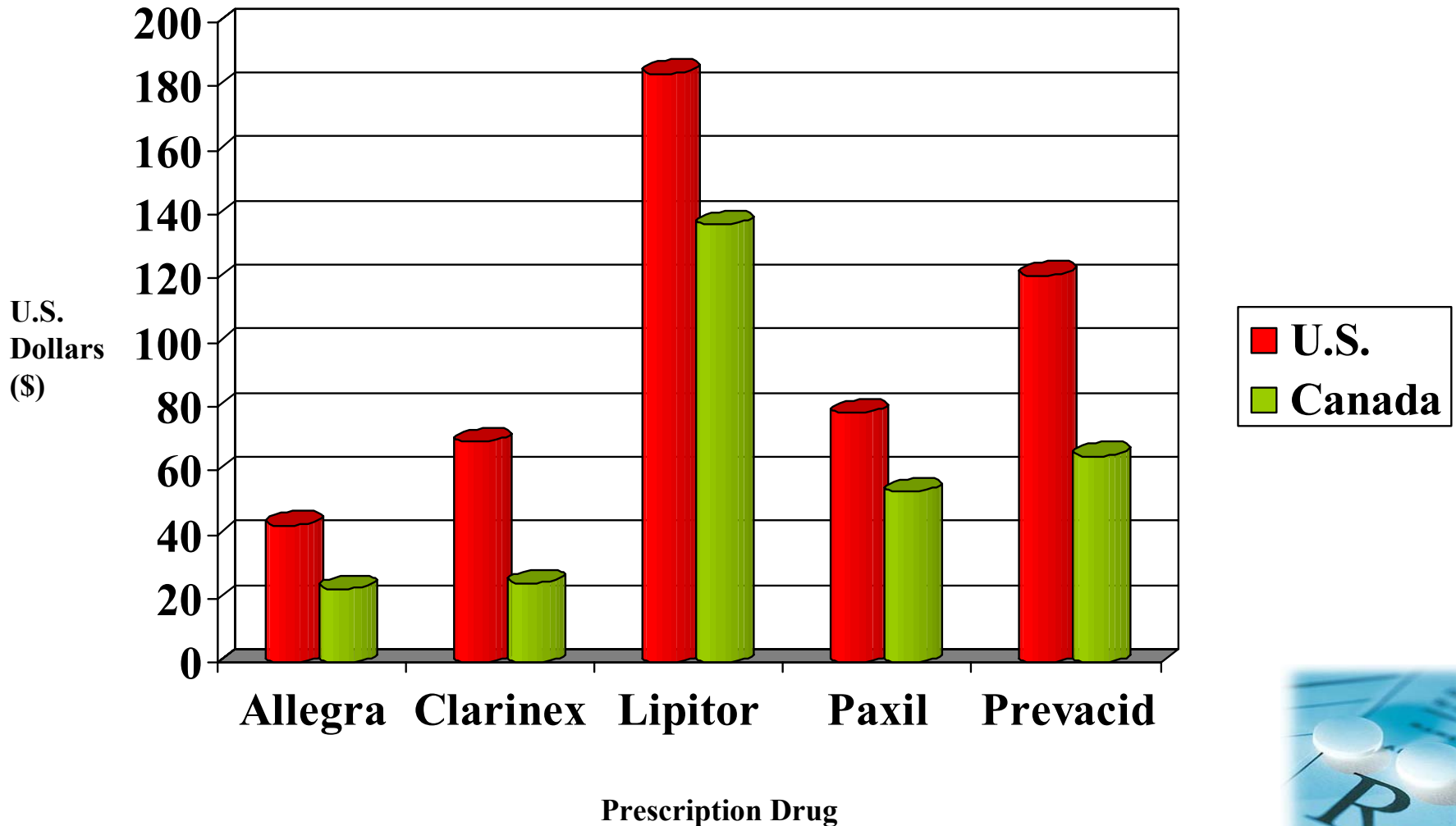
U.S. / Canada Price Comparison Table

	Allegra (60-120 mg, 30 capsules)	Clarinox (5 mg, 30 capsules)	Lipitor (10 mg, 90 capsules)	Paxil (10 mg, 30 capsules)	Prevacid (15 mg, 30 capsules)
U.S. (Price in U.S. \$)	42.99	68.99	183.97	77.99	120.99
Canada (Price in U.S. \$)	23.13	24.99	136.70	53.53	64.72

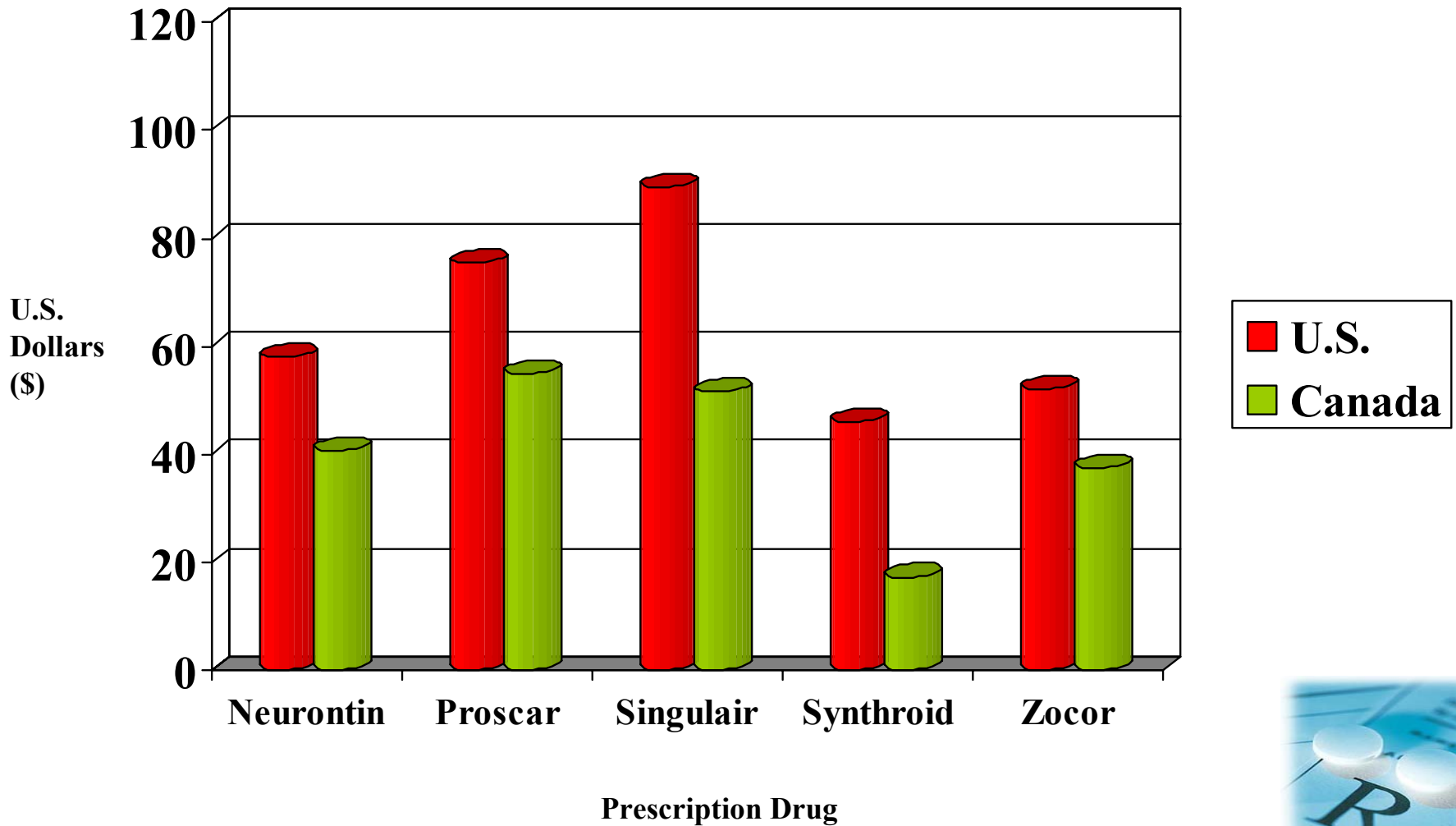
	Neurotin (100 mg, 100 capsules)	Proscar (5 mg, 30 capsules)	Singular (5 mg, 30 capsules)	Synthroid (0.1 mg, 100 capsules)	Zocor (5 mg, 30 capsules)
U.S. (Price in U.S. \$)	57.99	75.49	89.49	45.99	51.99
Canada (Price in U.S. \$)	40.58	54.91	51.58	17.20	37.47



U.S. / Canada Price Comparison Graph – pt.1



U.S. / Canada Price Comparison Graph – pt.2



Miami-Dade County

Current Situation

- The combined expenditures between the County and its employees on prescription drugs totals approximately \$27 million annually
- Over 182,000 senior citizens in Miami-Dade County over the age of 65 have a household income under 200 percent of the Federal Poverty Level
- It is estimated that one out of every five senior citizens takes at least five prescription medications a day
- Expenditures for prescription drugs are increasing at a faster rate than any other component in healthcare, making the cost for seniors more expensive every year



Proposed Action Steps

- ✓ Direct the Manager through the Office of Countywide Healthcare and Risk Management to conduct a 60-day study to determine the feasibility of the program (cost-savings to the County and its employees)
- ✓ In consultation with the County Attorney's Office, identify ways to legally undertake this program
- ✓ Create a program using the cost savings to assist low-income seniors pay for their prescription drugs



Miami-Dade County

Proposed Re-importation Plan

Miami-Dade County can consider taking a two-step approach:

- 1. Reduce cost of prescription drugs for County and its employees and retirees by re-importing prescription drugs from Canada**
 - County could “carve-out” the prescription drug element of employee health plan and replace it with the option of buying prescription drugs from Canada
 - The added savings to the County would allow a reduced or even complete elimination of employee co-payments
- 2. Use Savings to Create a Pool from which the County subsidizes Prescription Drugs for the low-income elderly**
 - Due to the reduction in costs of prescription drugs, the County can increase its yearly savings.
 - In return, the County can assist a specific selection of low-income seniors pay for their medications.



Benefits to Local Pharmacies

- ✓ If the importation of Canadian drugs is enabled, local pharmacies will be able to negotiate lower prices in bulk, and in the process either keep or increase their profit margins.
- ✓ This will grant local pharmacies added market power, which they currently lack.
- ✓ Local pharmacies will no longer be restricted to deal with U.S. based distributors that overcharge them.
- ✓ Due to the reduced costs passed on to consumers, a higher volume of prescriptions will be filled thereby increasing pharmacy sales



Re-Importation Issues

- Re-importation may be approved through a waiver authorized by the Secretary for Health and Human Services/FDA review
- Re-importation may be fully legalized in the future through legislative change
- We are optimistic that States, Counties and Cities pursuing similar plans will hasten Congressional legislative action and/or FDA review

